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Item 10 of the provisional agenda

INDUSTRIAL INVESTMENT PROMOTION

Report by the Director-General

Summary

Reports on the implementation of decision IDB.16/Dec.16, as requested in paragraph (i) of that decision.

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For reasons of economy, this document has been printed in a limited number. Delegates are kindly requested to bring their copies of documents to meetings.

Introduction

1. In decision IDB.16/Dec.16, the Industrial Development Board requested the Director-General to report on certain aspects of the development of the industrial investment programme. The present report is concerned with specific issues raised in that decision.

2. It is to be noted that developments subsequent to the adoption of that decision by the Board at its sixteenth session, including the ongoing debate on the future role and functions of UNIDO, preclude some of the action requested by the Board in that decision. For example, the element related to an assessment of resource implications within the 1998-1999 programme and budgets is linked to the establishment of a budget ceiling for that biennium. Similarly, the request to the Director-General to expand investment appraisal and promotion activities is linked to pre-feasibility studies, which is among the activities under discussion by the intersessional working group. In this connection, the Secretariat would be pleased to provide information on any aspect related to UNIDO industrial investment promotion activities to assist the Member States in their deliberations.

I. PLAN OF WORK

3. The Board requested the Director-General "To develop a plan to strengthen the investment promotion programmes in line with the identified priorities, recognizing the weight attached to the programmes, and to provide an assessment of resource implications within the 1998-1999 programme and budgets."

4. In the light of the ongoing debate on the future of UNIDO and in the absence of resource allocations for the 1998-1999 programme and budgets, it is not possible to develop a plan of the nature requested by the Board. However, a brief conceptual sketch of the new programme is given here.

5. From the current debate and the views expressed by Member States, it would be essential to develop close integration between investment, technology and information activities at Headquarters, so that a complete package of services can be offered to developing countries seeking to establish international partnerships for industrial growth and competitiveness. The eventual aim is to establish a network, with UNIDO at its hub, of information and promotion services that will facilitate investment and technology flows to developing countries. The network would encompass the UNIDO IPS and similar offices, global technology centres, industrial associations and other focal points. Effective operation of the network should bring together activities at the governmental, institutional and private sector levels, thereby enhancing their ability to attract investment and technology. Account would be taken of upstream activities, but these would be complemented by capacity-building, notably training in investment project preparation, appraisal, investment promotion techniques, technology transfer negotiations and networking. Emphasis would also be given to the development of mechanisms, tools and methodologies that form the basis for a sound investment and technology promotion programme.

6. Thus, the new programme would consist of related activities, which could be supported by other parts of UNIDO dealing with private sector development, small- and medium-scale industry and specialized sectoral technology areas.

II. EXPANSION OF THE IPS NETWORK

7. In decision IDB.16/Dec.16, the Board requested the Director-General "... to continue to increase the number of Investment Promotion Service offices in developing countries and to strengthen all relevant industrial investment promotion activities..." and "... to try to regionalize Investment Promotion Service offices which could serve a number of countries in certain regions ..."

8. The traditional IPS office remains the most effective catalyst for promoting international industrial investment partnerships. Through promotional events, the delegates programme and individual project promotion, these offices serve to benefit not only small and medium industries in developing countries but also the host countries of IPS offices. Entrepreneurs in the host country have the opportunity to extend their operations into the developing countries in cooperation with local sponsors identified by UNIDO. In 1996, the UNIDO IPS network successfully promoted investment projects to a value of $452 million.

9. The standard IPS offices are being complemented by a "second generation" of other types of offices and agreements. The expansion of the network is encountering difficulties arising from financial constraints in both developed and developing countries. Faced with these constraints, UNIDO has actively explored new forms of collaboration, that will allow the Organization to reach investors in developed and developing countries as well as in countries with economies in transition.

10. An example of the "second generation" offices is IPS Seoul. In this venture, which started in February 1997, UNIDO has as a partner the Korea International Cooperation Agency (KOICA). This collaboration considerably enhances the IPS office's ability to promote outward investment, as the IPS office has access to both

the expertise and resources of KOICA. This form of partnership with a development assistance organization holds potential for other IPS offices as well.

11. A second initiative is the Investment and Technology Promotion Initiative (ITPI), which has been established in New Delhi. This office, like the Centre for International Industrial Cooperation (CIIC) in Moscow, has the broad mandate to promote the inward and outward flow of not only investment, but also technology.

12. The UNIDO agreement with NIMTECH (IDB.16/11, chap. II) was at the forefront of the diversification of the network. NIMTECH has now signed a trust fund agreement for initially $190,000 to financially support UNIDO programmes. Through its association with NIMTECH and the 1996 Cleaner Production Forum, UNIDO has been able to extend its investment promotion work to the field of cleaner production.

13. UNIDO and the St. Petersburg Regional Foundation for Scientific and Technological Development recently signed an agreement to establish a focal point in the large north-west region of the Russian Federation. The purpose is to promote business partnerships between SMEs in that region and companies in developed and developing countries.

14. The network of UNIDO investment promotion units (IPUs) is steadily expanding in the various developing regions. Unlike IPS offices, IPUs are financed by sources other than host country Governments. At the request of the Saudi Consulting House (SCH) in Riyadh, a technical cooperation programme to establish a unit at SCH is under implementation. Should an IPU be established at SCH it will be linked to the UNIDO IPS network as well as to UNIDO focal points in investment promotion throughout the world. Countries in the Gulf subregion, including the United Arab Emirates and Qatar, have shown keen interest in establishing similar units in order to expand this network in the subregion. Investment promotion units—some with a regional dimension—are also planned in Egypt, Pakistan, the Philippines and other countries.

15. Efforts have also been made to regionalize the activities of IPS offices within host countries. In China, IPS Beijing has established a regional network of field stations in the provinces and cities for long-term assistance in investment promotion, utilizing the tools and methodologies developed by UNIDO. The network now covers some 10 provinces. Networking to the outlying provinces is also evident in projects in Argentina, Brazil and India. CIIC Moscow has signed cooperation agreements with eleven regions in the Russian Federation. Requests for setting up UNIDO investment promotion units have been received from the Orenburg, Lipetsk and Voronezh regions of the Russian Federation.

16. Another example is the project to set up regional offices in south-east Anatolia, in cooperation with its Regional Development Agency, in order to assist local entrepreneurs in formulating investment projects and attracting business partners from the rest of the country as well as from abroad. Financed by UNDP ($750,000), the project was initiated by IPS Istanbul, which had planned to act as a link between the regional offices and foreign partners. This function will have to be assumed by the Regional Development Agency, IPS Istanbul having been closed down in January 1997.

17. Concerning the general strengthening of UNIDO investment promotion activities, the annexes to the present document indicate the range and extent of UNIDO's involvement in recipient countries, with special emphasis on Africa. Additional details in narrative form will be provided in conference room paper IDB.17/CRP.3.

III. STRENGTHENING COORDINATION BETWEEN THE IPS OFFICES AND UNIDO HEADQUARTERS

18. The Board further requested the Director-General "... to further strengthen coordination between the Investment Promotion Service offices and UNIDO Headquarters, as well as among the Investment Promotion Service offices themselves for possible partnership of investment projects".

19. Each IPS office is given sufficient scope to introduce improvements and advances in the work programme. However, a situation is to be avoided where the IPS office acts as a stand-alone operation with inadequate contact with Headquarters. Therefore, an intensive effort has been undertaken over the past six months to strengthen the links between IPS offices and Headquarters. This effort has encompassed substantive matters, where the programmes being implemented by the IPS office have been strengthened by contributions from Headquarters and vice versa. An integration effort has also taken place in administration, with auditing exercises to ensure that practices in IPS offices are in accordance with those being followed at Headquarters.

Staff exchange programme

20. One initiative undertaken to strengthen co-ordination is the staff exchange programme. Coordination requires an in-depth knowledge by the services in the IPS network of the work being undertaken at Headquarters and vice versa. To promote this knowledge UNIDO has developed a staff exchange programme, whereby staff

members from IPS offices are given an intensive insight into work being undertaken at Headquarters, notably in the fields of investment, technology and information. IPS Tokyo participated in this scheme in February 1997 and plans are under way to extend this exchange programme to IPS Athens and IPS Milan/Bologna. Additionally, a programme has been put forward to invite delegates to Vienna for an orientation programme into UNIDO activities. Full realization of this concept is constrained by a lack of funding. However, delegates are being invited to Headquarters on an individual basis, for example the Brazilian delegate in IPS Paris, where their work closely coincides with projects being developed and implemented by Headquarters.

Staff performance appraisal

21. Another tool being used to ensure closer coordination between the IPS network and Headquarters is the staff performance evaluation system. This system has been extended to include staff engaged in IPS offices. By extending this system, UNIDO ensures that the goals of IPS offices are clearly linked with the objectives and operations of Headquarters.

Decentralization

22. Over the past six months procedures have been put in place to decentralize a number of administrative functions from Headquarters to the IPS office. These functions are in the fields of finance, personnel, procurement and the delegate programmes. The new procedures are described in the revised version of the *Operational Manual for IPS Offices*, which will be issued shortly.

23. During the reporting period, Internal Audit examined operations in three IPS offices: Paris, Tokyo and Warsaw. These audits represented a new initiative to ensure compliance with UNIDO practices. The results of these audits have shown a marked improvement, notably in the field of financial management.

Streamlining of administrative procedures and strengthening of financial foundation of the network

24. Many IPS offices have devised schemes for raising additional funds by charging fees for services rendered, but these efforts have yet to be aligned with UNIDO's financial and administrative regulations, rules and procedures. UNIDO's position as a neutral, non-profit intergovernmental organization must be respected. Currently, a working group in UNIDO is examining the procedures to ensure that the charging of fees is in accordance with UNIDO's financial rules and regulations.

IV. DELEGATES PROGRAMME

25. The Board also requested the Director-General "to further promote and increase the participation of representatives of the developing countries in the orientation of delegates programmes".

26. The delegates programme is vital to UNIDO's investment promotion programme and the Organization is exploring new avenues of finance to expand this programme. To date, host Governments, UNDP, the European Commission and private sector funds have been utilized to support this programme, and sources have expanded recently to include IDDA. Considerable effort has been given to this Programme in the past six months: firstly, to diversify the countries from which delegates are selected, bearing in mind UNIDO priorities in Africa and secondly to ensure that the South-South dimension is suitably incorporated into the programme. (Details of the current status of the delegates programme are provided in annex III to the present document.)

27. A major obstacle to the expansion of the delegates programme beyond the question of finance is the availability of space within the IPS offices. In overcoming this problem, UNIDO will be looking increasingly to the second generation of IPS offices in the developing countries to extend the delegates programme. Offices such as those established in Bahrain, Beijing, New Delhi and Seoul have the potential to offer training to representatives from other developing countries, thereby encouraging economic cooperation among developing countries. Delegates normally arrive with a portfolio of projects from the home country which are, over the period of assignment, promoted in the host country. This can have a significant impact on regional cooperation, for example in the South-East Asian region.

V. ACTION REQUIRED OF THE BOARD

28. The Board may wish to take note of the information contained in the present document.

Annex I

INVESTMENT PROMOTION AND RELATED ACTIVITIES IMPLEMENTED OR PLANNED
September 1996 - December 1997

Country/area/territory	Government-level				Institutional-level (investment promotion agencies and other)		Enterprise-level			
	Policy advice	Revision investment code	Round-table on private sector	Investors guide	Establishment/ strengthening	Methodologies and/or related training	Forum	Delegates	Business promotion	PCF/ project profiles/ investment studies
Africa										
Regional Africa				X	X		X		X	
Algeria					X	X		X	X	
Angola						X				
Benin		X						X		X
Burkina Faso					X			X		
Cameroon		X		X	X	X	X	X		X
Côte d'Ivoire				X		X	X	X	X	X
Djibouti						X				X
Eritrea						X		X		
Ethiopia	X			X	X	X		X		X
Ghana	X				X			X	X	
Guinea								X		
Guinea-Bissau		X			X					
Kenya						X				
Madagascar			X	X	X		X		X	X
Mali			X		X			X		
Mauritius						X				
Morocco						X		X		
Mozambique								X		
Namibia								X		
Nigeria						X		X		X
Sao Tome and Principe	X	X								

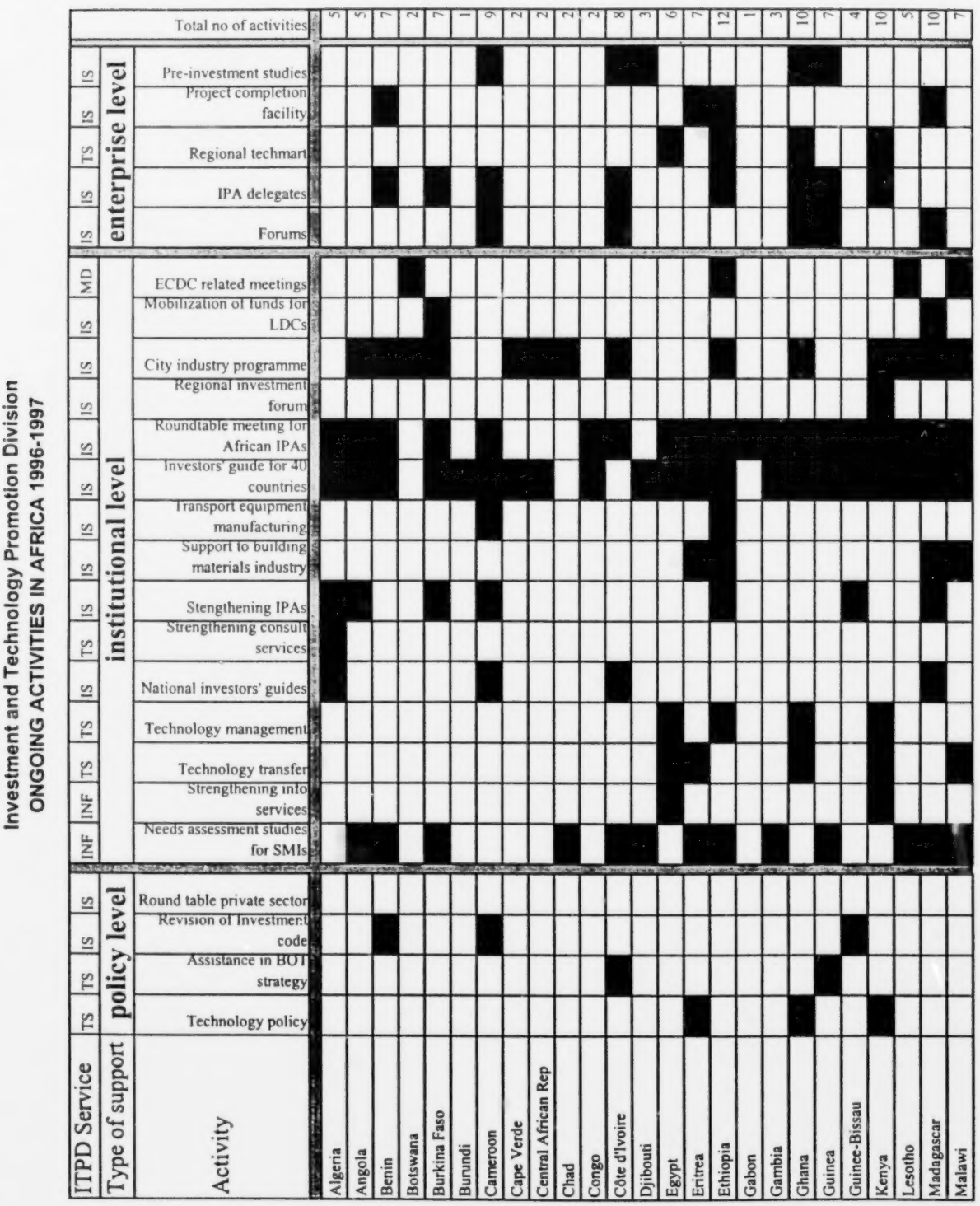
Country/area/territory	Government-level				Institutional-level (investment promotion agencies and other)		Enterprise-level			
	Policy advice	Revision investment code	Round-table on private sector	Investors guide	Establishment/ strengthening	Methodologies and/or related training	Forum	Delegates	Business promotion	PCF/ project profiles/ investment studies
Senegal						X		X		
Seychelles		X								
Togo								X		
Tunisia						X				X
Uganda								X		
United Republic of Tanzania	X	X	X	X	X	X	X	X	X	X
Zambia						X				
Zimbabwe	X				X					
Asia										
Regional Asia			X							
Cambodia						X		X		
China					X	X			X	X
Democratic People's Republic of Korea	X		X	X		X	X	X		X
India			X	X	X	X	X	X	X	X
Indonesia										X
Iran, Islamic Republic of						X				
Lao People's Democratic Republic						X				
Malaysia						X				
Maldives						X				
Nepal						X				
Pakistan			X	X		X	X			X
Papua New Guinea				X	X	X		X		X

Country/area/territory	Government-level				Institutional-level (investment promotion agencies and other)		Enterprise-level			
	Policy advice	Revision investment code	Round-table on private sector	Investors guide	Establishment/ strengthening	Methodologies and/or related training	Forum	Delegates	Business promotion	PCF/ project profiles/ investment studies
Philippines				X		X	X	X		X
Samoa	X									
Sri Lanka						X				
Thailand	X					X				X
Viet Nam	X					X				X
Arab Countries										
Regional Arab Countries	X									
Bahrain	X					X		X		X
Egypt	X					X				
Jordan					X			X		X
Lebanon						X				X
Palestine						X				
Qatar					X	X				
Saudi Arabia	X				X	X				X
United Arab Emirates						X				
Latin America and the Caribbean										
Regional Latin America			X	X	X	X	X		X	X
Regional Caribbean			X			X	X		X	X
Argentina	X		X			X		X	X	X
Bolivia						X				
Brazil			X	X	X	X	X	X	X	X
Colombia	X				X	X		X		X

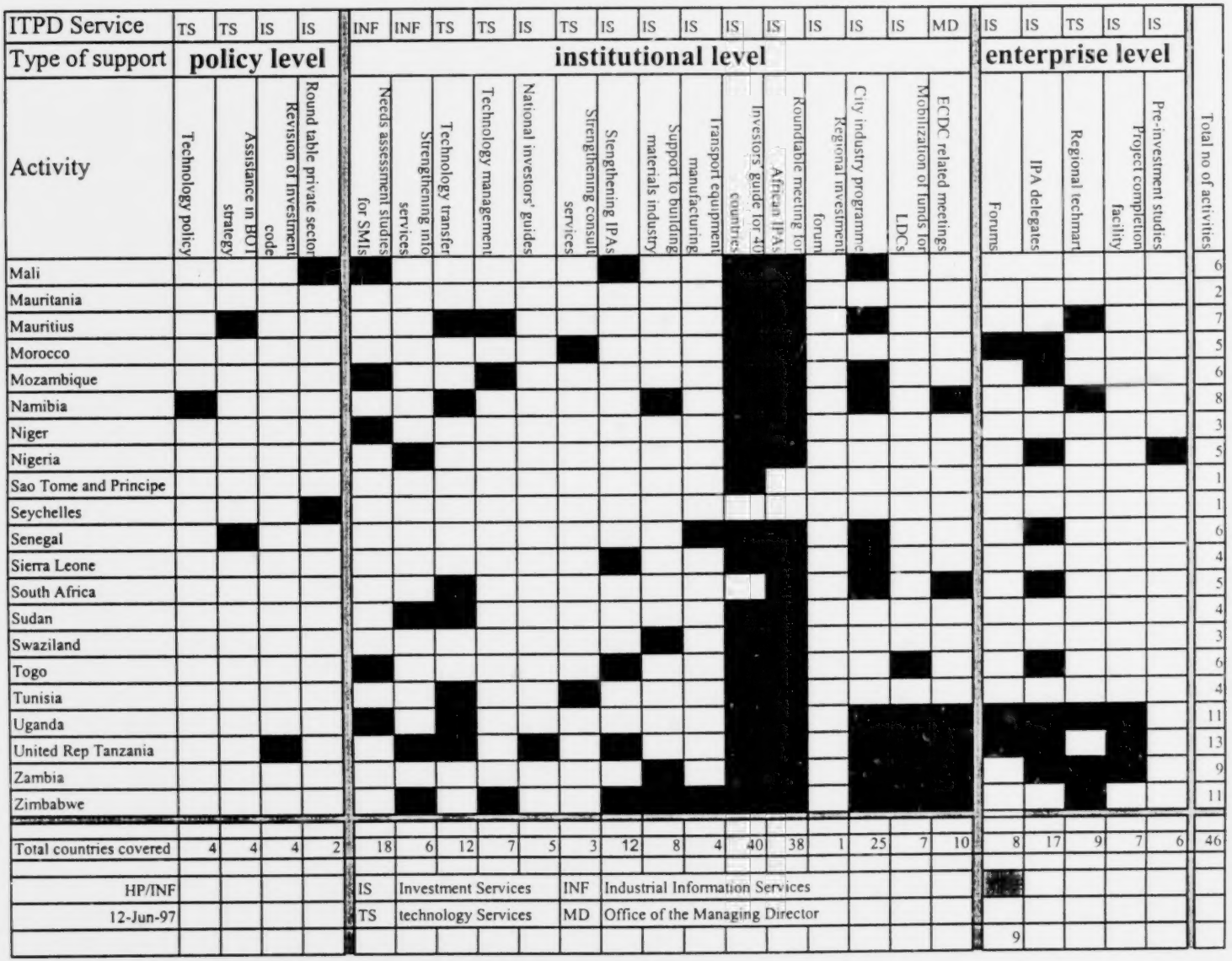
Country/area/territory	Government-level				Institutional-level (investment promotion agencies and other)		Enterprise-level			
	Policy advice	Revision investment code	Round-table on private sector	Investors guide	Establishment/ strengthening	Methodologies and/or related training	Forum	Delegates	Business promotion	PCF/ project profiles/ investment studies
Guatemala	X				X			X		
Haiti						X				
Honduras	X		X		X	X			X	X
Jamaica						X				
Mexico						X		X		
Nicaragua						X				
Paraguay						X				
Peru	X		X		X	X		X	X	X
Uruguay						X				
Venezuela						X				
Europe and NIS										
Albania						X				
Armenia						X		X		
Azerbaijan						X				
Belarus	X				X	X	X	X		X
Bosnia and Herzegovina					X	X				X
Croatia						X				
Czech Republic						X				X
Kazakstan						X				
Kyrgyzstan								X		X
Poland						X				X
Republic of Moldova	X	X		X	X	X		X		
Romania						X				
Russian Federation						X	X			X

Country/area/territory	Government-level				Institutional-level (investment promotion agencies and other)		Enterprise-level			
	Policy advice	Revision investment code	Round-table on private sector	Investors guide	Establishment/ strengthening	Methodologies and/or related training	Forum	Delegates	Business promotion	PCF/ project profiles/ investment studies
Slovakia						X				
Slovenia						X				
The former Yugoslav Republic of Macedonia	X	X		X	X	X	X	X		X
Turkey	X			X		X		X	X	
Yugoslavia						X				
Ukraine						X				

Annex II


Investment and Technology Promotion Division
ONGOING ACTIVITIES IN AFRICA 1996-1997
ITPD Service
Type of support
Activity
policy level
Technology policy
Assistance in BOT strategy
Revision of Investment code
Round table private sector
institutional level
Needs assessment studies for SMIs
Strengthening info services
Technology transfer
Technology management
National investors' guides
Strengthening consult services
Stengthening IPAs
Support to building materials industry
Transport equipment manufacturing
Investors' guide for 40 countries
Roundtable meeting for African IPAs
Regional investment forum
City industry programme
Mobilization of funds for LDCs
ECDC related meetings
enterprise level
Forums
IPA delegates
Regional techmart
Project completion facility
Pre-investment studies
Total no of activities
Algeria
Angola
Benin
Botswana
Burkina Faso
Burundi
Cameroon
Cape Verde
Central African Rep
Chad
Congo
Côte d'Ivoire
Djibouti
Egypt
Eritrea
Ethiopia
Gabon
Gambia
Ghana
Guinea
Guinee-Bissau
Kenya
Lesotho
Madagascar
Malawi

Investment and Technology Promotion Division
ONGOING ACTIVITIES IN AFRICA 1996-1997



Annex III

DELEGATES PROGRAMME 1996-1997

Region	Delegates	Host venue	Region	Delegates	Host venue
AFRICA			Philippines	1	IPS Vienna
Algeria	1	IPS Paris	Philippines	1	IPS Tokyo
Benin	1	IPS Paris	Philippines	1	IPS Paris
Burkina Faso	1	IPS Paris	Sri Lanka	1	IPS Tokyo
Cameroon	1	IPS Paris	Thailand	1	IPS Paris
Côte d'Ivoire	1	IPS Paris	Thailand	1	IPS Vienna
Côte d'Ivoire	1	IPS Milan/Bologna	**LATIN AMERICA AND THE CARIBBEAN**		
Ethiopia	1	IPS Athens	Argentina	1	IPS Paris
Ghana	1	IPS Vienna	Brazil	1	IPS Paris
Guinea	1	IPS Paris	Guatemala	1	IPS Paris
Mali	1	IPS Paris	Mexico	1	IPS Milan
Morocco	1	IPS Tokyo	Mexico	1	IPS Paris
Morocco	1	IPS Milan/Bologna	Peru	1	IPS Milan/Bologna
Mozambique	1	IPS Milan/Bologna	**EUROPE AND NIS**		
Nigeria	1	IPS Paris	Armenia	1	IPS Athens
Senegal	1	IPI Walloon region	Belarus	1	IPS Milan/Bologna
Tunisia	1	IPS Tokyo	Belarus	1	IPS Athens
Tunisia	1	IPS Vienna	Czech Republic	1	IPS Tokyo
Uganda	1	NIMTECH	Czech Republic	1	IPS Zurich
United Republic of Tanzania	1	ITPI India	Republic of Moldova	1	NIMTECH
ASIA			Republic of Moldova	1	IPS Milan/Bologna
Cambodia	1	IPS Tokyo	Republic of Moldova	1	IPS Athens
China	1	IPS Milan	Romania	1	IPS Zurich
China	1	IPS Paris	Slovakia	1	IPS Tokyo
China	1	IPS Vienna	The former Yugoslav Republic Macedonia	1	IPS Milan/Bologna
Democratic People's Republic of Korea	1	IPS Milan/Bologna	The former Yugoslav Republic Macedonia	1	IPS Athens
India	2	IPS Milan	Turkey	1	IPS Milan/Bologna
India	1	IPS Paris	Ukraine	1	IPS Athens
India	1	IPS Zurich	Uzbekistan	1	IPS Tokyo
Indonesia	1	IPS Vienna	**ARAB COUNTRIES**		
Mongolia	1	IPS Tokyo	Palestine	1	IPS Milan
Philippines	1	IPS Milan/Bologna	Palestine	1	IPS Paris

a/ Covering the period September 1996 to December 1997, including planned placements as at 15 May 1997.